

FINANCIAL AUDIT
INCLUDING THE PROVISIONS OF THE SINGLE AUDIT ACT
OF THE
MICHIGAN DEPARTMENT OF CAREER DEVELOPMENT

October 1, 2000 through September 30, 2002



Michigan Office of the Auditor General REPORT SUMMARY

Financial Audit

*Including the Provisions of the Single Audit Act
October 1, 2000 through September 30, 2002*

Michigan Department of Career Development

Report Number:
45-100-03

Released:
August 2003

A Single Audit is designed to meet the needs of all financial report users, including an entity's federal grantor agencies. The audit determines if the financial schedules and/or financial statements are fairly presented; considers internal control over financial reporting and internal control over federal program compliance; determines compliance with State compliance requirements material to the financial schedules and/or financial statements; and assesses compliance with direct and material requirements of the major federal programs.

Financial Schedules:

Auditor's Report Issued

We issued an unqualified opinion on the Department's financial schedules.

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Internal Control Over Financial Reporting

We did not identify any material weaknesses in internal control over financial reporting. However, we did identify reportable conditions (Findings 1 through 6).

~ ~ ~ ~ ~

Noncompliance Material to the Financial Schedules

We did not identify any instances of noncompliance applicable to the financial schedules that are required to be reported under *Government Auditing Standards*.

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Federal Awards:

Auditor's Reports Issued on Compliance

We audited 12 programs as major programs and issued 9 unqualified opinions and 3 qualified opinions. The types of opinions issued by federal program are identified on the back of this summary.

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Internal Control Over Major Programs

We identified reportable conditions related to internal control over major programs (Findings 7 through 19). We consider Finding 7 to be a material weakness.

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Required Reporting of Noncompliance

We identified instances of noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133 (Findings 7 through 12).

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Systems of Accounting and Internal Control:

We determined that the Department was in substantial compliance with Sections 18.1483 - 18.1487 of the *Michigan Compiled Laws*.

~ ~ ~ ~ ~

We audited the following programs as major programs:

<u>CFDA Number</u>	<u>Program Title</u>	<u>Compliance Opinion</u>
17.207, 17.801, 17.804	Employment Service Cluster	Unqualified
17.255, 17.258, 17.259, 17.260	Workforce Investment Act Cluster	Unqualified
17.002	Labor Force Statistics	Unqualified
17.245	Trade Adjustment Assistance - Workers	Unqualified
17.253	Welfare-to-Work Grants to States and Localities	Unqualified
64.115	Veterans Information and Assistance	Unqualified
84.007, 84.063	Student Financial Assistance Cluster	Unqualified
84.002	Adult Education - State Grant Program	Qualified
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Qualified
84.187	Supported Employment Services for Individuals with Severe Disabilities	Unqualified
84.224	Assistive Technology	Unqualified
84.243	Tech-Prep Education	Qualified

A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: www.state.mi.us/audgen/



Michigan Office of the Auditor General
201 N. Washington Square
Lansing, Michigan 48913

Thomas H. McTavish, C.P.A.
Auditor General

James S. Neubecker, C.P.A., C.I.A., D.P.A.
Executive Deputy Auditor General

Scott M. Strong, C.P.A., C.I.A.
Director of Audit Operations



STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
201 N. WASHINGTON SQUARE
LANSING, MICHIGAN 48913
(517) 334-8050
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

August 28, 2003

Mr. David C. Hollister, Director
Michigan Department of Career Development
Victor Center
Lansing, Michigan

Dear Mr. Hollister:

This is our report on the financial audit, including the provisions of the Single Audit Act, of the Michigan Department of Career Development (MDCD) for the period October 1, 2000 through September 30, 2002.

This report contains our report summary; our independent auditor's report on the financial schedules; and the MDCD financial schedules, notes to the financial schedules, and supplemental financial schedules. This report also contains our independent auditor's reports on compliance and on internal control over financial reporting and on compliance with requirements applicable to each major program and on internal control over compliance in accordance with U.S. Office of Management and Budget Circular A-133 and our schedule of findings and questioned costs. In addition, this report contains MDCD's summary schedule of prior audit findings, its corrective action plan, and a glossary of acronyms and terms.

Our findings and recommendations are contained in Section II and Section III of the schedule of findings and questioned costs. The agency preliminary responses are contained in the corrective action plan. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

A handwritten signature in black ink, reading "Thomas H. McTavish".

Thomas H. McTavish, C.P.A.
Auditor General

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STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
201 N. WASHINGTON SQUARE
LANSING, MICHIGAN 48913
(517) 334-8050
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

Independent Auditor's Report on the Financial Schedules

April 18, 2003

Mr. David C. Hollister, Director
Michigan Department of Career Development
Victor Center
Lansing, Michigan

Dear Mr. Hollister:

We have audited the financial schedules of the Michigan Department of Career Development for the fiscal years ended September 30, 2002 and September 30, 2001, as identified in the table of contents. These financial schedules are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1b, the financial schedules include only the revenues and transfers and the sources and disposition of authorizations for the Michigan Department of Career Development's General Fund accounts, presented using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, these financial schedules do not purport to, and do not, constitute a complete financial presentation of either the Department or the State's General Fund in accordance with accounting principles generally accepted in the United States of America.

In our opinion, the financial schedules referred to in the first paragraph present fairly, in all material respects, the revenues and transfers and the sources and disposition of authorizations of the Michigan Department of Career Development for the fiscal years ended September 30, 2002 and September 30, 2001, on the basis of accounting described in Note 1b.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 18, 2003 on our tests of the Department's compliance with certain provisions of laws, regulations, contracts, and grants and on our consideration of its internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The schedule of expenditures of federal awards, required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and other supplemental financial schedules, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the Department's financial schedules referred to in the first paragraph. Such information has been subjected to the auditing procedures applied in the audit of the financial schedules and, in our opinion, is fairly stated, in all material respects, in relation to the financial schedules taken as a whole.

Sincerely,

A handwritten signature in black ink, reading "Thomas H. McTavish". The signature is fluid and cursive, with a long horizontal line extending from the start of the name.

Thomas H. McTavish, C.P.A.
Auditor General

MICHIGAN DEPARTMENT OF CAREER DEVELOPMENT
Schedule of General Fund Revenues and Transfers
Fiscal Years Ended September 30

	<u>2002</u>	<u>2001</u>
REVENUES		
From federal agencies	\$ 367,010,344	\$ 390,184,739
From local agencies	7,901,823	8,239,447
From services	810,923	861,294
Miscellaneous	1,661,805	1,623,046
Total Revenues	<u>\$ 377,384,895</u>	<u>\$ 400,908,526</u>
TRANSFERS		
Transfers from other funds	<u>49,171,243</u>	<u>2,540,900</u>
Total Revenues and Transfers	<u><u>\$ 426,556,138</u></u>	<u><u>\$ 403,449,426</u></u>

The accompanying notes are an integral part of the financial schedules.

MICHIGAN DEPARTMENT OF CAREER DEVELOPMENT
Schedule of Sources and Disposition of General Fund Authorizations
Fiscal Years Ended September 30

	<u>2002</u>	<u>2001</u>
SOURCES OF AUTHORIZATIONS (Note 2)		
General purpose appropriations	\$ 31,593,300	\$ 33,278,630
Budgetary transfers in (out)	356,720	640,606
Balances carried forward	1,258,794	11,236,377
Restricted financing sources	424,084,036	402,253,642
Less: Intrafund expenditure reimbursements	<u>(31,682)</u>	<u>(1,038,591)</u>
Total	<u>\$ 457,261,168</u>	<u>\$ 446,370,664</u>
DISPOSITION OF AUTHORIZATIONS (Note 2)		
Gross expenditures and transfers out	\$ 455,831,976	\$ 445,998,260
Less: Intrafund expenditure reimbursements	<u>(31,682)</u>	<u>(1,038,591)</u>
Net expenditures and transfers out	<u>\$ 455,800,294</u>	<u>\$ 444,959,669</u>
Balances carried forward:		
Multi-year projects	\$	\$ 102,136
Encumbrances	829,363	827,071
Restricted revenues - not authorized	<u>331,064</u>	<u>329,587</u>
Total balances carried forward	<u>\$ 1,160,427</u>	<u>\$ 1,258,794</u>
Balances lapsed	<u>\$ 300,447</u>	<u>\$ 736,479</u>
Overexpended	<u>\$</u>	<u>\$ (584,278)</u>
Total	<u>\$ 457,261,168</u>	<u>\$ 446,370,664</u>

The accompanying notes are an integral part of the financial schedules.

Notes to the Financial Schedules

Note 1 Significant Accounting Policies

a. Reporting Entity

The accompanying financial schedules report the results of the financial transactions of the Michigan Department of Career Development (MDCD) for the fiscal years ended September 30, 2002 and September 30, 2001. The financial transactions of MDCD are accounted for principally in the State's General Fund and are reported on in the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*.

The notes accompanying these financial schedules relate directly to MDCD. The *SOMCAFR* provides more extensive general disclosures regarding the State's Summary of Significant Accounting Policies; Budgeting, Budgetary Control, and Legal Compliance; and Pension Benefits and Other Postemployment Benefits.

b. Measurement Focus, Basis of Accounting, and Presentation

The financial schedules contained in this report are presented using the current financial resources measurement focus and the modified accrual basis of accounting, as provided by generally accepted accounting principles applicable to governments. Under the modified accrual basis of accounting, revenues are recognized as they become susceptible to accrual, generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred; however, certain expenditures related to long-term obligations are recorded only when payment is due and payable.

The accompanying financial schedules include only the revenues and transfers and the sources and disposition of authorizations for MDCD's General Fund accounts. Accordingly, these financial schedules do not purport to, and do not, constitute a complete financial presentation of either MDCD or the State's General Fund in accordance with generally accepted accounting principles.

Note 2 Schedule of Sources and Disposition of General Fund Authorizations

The various elements of the schedule of sources and disposition of General Fund authorizations are defined as follows:

- a. General purpose appropriations: Original appropriations and any supplemental appropriations that are financed by General Fund/general purpose revenues.
- b. Budgetary transfers in (out): Legislatively approved transfers of spending authorization between accounts within a department or between departments. These also include administrative transfers, such as entries to complete the financial closing of the State's fiscal year, that are approved by the Office of Financial Management, Department of Management and Budget.
- c. Balances carried forward: Authorizations for multi-year projects, encumbrances, restricted revenues - authorized, and restricted revenues - not authorized that were not spent as of the end of the prior fiscal year. These authorizations are available for expenditure in the current fiscal year for the purpose of the carry-forward without additional legislative authorization, except for the restricted revenues - not authorized. The balances carried forward in fiscal year 1999-2000 totaled \$10,914,056 and the amount reported in fiscal year 2000-01 was \$11,236,377. The difference of \$322,321 was a result of a transfer of the postsecondary education program from the Michigan Department of Education to MDCE.
- d. Restricted financing sources: Collections of restricted revenues, restricted transfers, and restricted intrafund expenditure reimbursements to finance programs as detailed in the appropriations act. These financing sources are authorized for expenditure up to the amount appropriated. Depending upon program statute, any amounts received in excess of the appropriation are, at year-end, either converted to general purpose financing sources and made available for general appropriation in the next fiscal year or carried forward to the next fiscal year as either restricted revenues - authorized or restricted revenues - not authorized.

- e. Intrafund expenditure reimbursements: Funding from other General Fund departments to finance a program or a portion of a program that is the responsibility of the receiving department.
- f. Multi-year projects: Unexpended authorizations for work projects and capital outlay projects that are carried forward to subsequent fiscal years for the completion of the projects.
- g. Encumbrances: Authorizations carried forward to finance payments for goods or services ordered in the old fiscal year but not received by fiscal year-end. These authorizations are generally limited to obligations funded by general purpose appropriations.
- h. Restricted revenues - not authorized: Revenues that, by statute, are restricted for use to a particular program or activity. However, MDCCD had not received legislative authorization to expend the revenues.
- i. Balances lapsed: Authorizations that were unexpended and unobligated at the end of the fiscal year. These amounts are available for legislative appropriation in the subsequent fiscal year.
- j. Overexpended: The total overexpenditure of line-item authorizations. MDCCD is required to seek a supplemental appropriation to authorize the expenditure. Executive Order No. 1999-1 transferred the Employment Service Agency to MDCCD. As a result of the transfer, a federal account receivable was transferred to MDCCD. The overexpenditure was the result of the write-off of the balance of an uncollectible federal account receivable in fiscal year 2000-01.

SUPPLEMENTAL FINANCIAL SCHEDULES

MICHIGAN DEPARTMENT OF CAREER DEVELOPMENT
Schedule of Certain General Fund Assets
As of September 30

	<u>2002</u>	<u>2001</u>
ASSETS		
Due from federal agencies for:		
Rehabilitation Services - Vocational Rehabilitation		
Grants to States	\$ 10,869,216	\$ 12,432,811
Workforce Investment Act	11,049,119	7,186,049
Employment Service Cluster	6,221,886	5,643,997
Welfare-to-Work Grants to States and Localities	4,459,007	2,514,114
Gaining Early Awareness and Readiness for Undergraduate		
Programs (GEAR-UP)	1,931,099	
USDOL direct programs	1,915,668	1,438,299
Adult Education	1,326,077	426,157
Vocational and Tech-Prep Education	973,109	753,633
AmeriCorps	970,921	1,201,669
Other federal programs	1,828,022	1,736,410
Total due from federal agencies	\$ 41,544,124	\$ 33,333,138
Due from local agencies	\$ 5,365,698	\$ 5,739,036
Due from other funds	\$ 45,953,543	
Other current assets	\$ 5,222,989	\$ 177,598

This schedule is not a balance sheet and is not intended to report financial position. The amounts presented include only those assets for which the Michigan Department of Career Development is directly responsible. The schedule does not include assets that are accounted for centrally by the State, such as equity in Common Cash and cash in transit.

MICHIGAN DEPARTMENT OF CAREER DEVELOPMENT
Schedule of Certain General Fund Liabilities
As of September 30

	<u>2002</u>	<u>2001</u>
LIABILITIES		
Accounts payable due to federal agencies:		
Workforce Investment Act	\$ 8,082,215	\$ 5,120,519
Reed Act	3,334,740	
Rehabilitation Services - Vocational Rehabilitation		
Grants to States	2,703,677	1,619,899
Employment Service Cluster	2,002,089	910,189
Welfare-to-Work Grants to States and Localities	1,473,718	132,818
Temporary Assistance for Needy Families Program	485,752	1,812,001
Other federal programs	<u>2,077,726</u>	<u>874,865</u>
Total due to federal agencies	\$ 20,159,918	\$ 10,470,291
Accounts payable - nonfederal	\$ 1,698,830	\$ 103,372
Deferred revenue	\$ 2,062,512	\$ 3,563,739
Due to other funds	\$ 12,511	\$ 10,477

This schedule is not a balance sheet and is not intended to report financial position. The amounts presented include only those liabilities for which the Michigan Department of Career Development is directly responsible. The schedule does not include liabilities that are accounted for centrally by the State, such as warrants outstanding.

MICHIGAN DEPARTMENT OF CAREER DEVELOPMENT
Schedule of Expenditures of Federal Awards (1)
For the Period October 1, 2000 through September 30, 2002

Federal Agency/Program or Cluster	CFDA (2) Number	Pass-Through Identification Number	For the Fiscal Year Ended September 30, 2001		
			Directly Expended	Distributed to Subrecipients	Total Expended and Distributed
<u>U.S. Department of Agriculture</u>					
Pass-Through Program:					
Michigan Family Independence Agency					
State Administrative Matching Grants for Food Stamp Program	10.561	4F8100	\$ 84,407	\$ 6,620,658	\$ 6,705,065
Total U.S. Department of Agriculture			\$ 84,407	\$ 6,620,658	\$ 6,705,065
<u>U.S. Department of Labor</u>					
Employment Service Cluster:					
Direct Programs:					
Employment Service	17.207		\$ 8,815,268	\$ 18,429,228	\$ 27,244,496
Disabled Veterans' Outreach Program (DVOP)	17.801		3,353,891		3,353,891
Local Veterans' Employment Representative Program	17.804		3,224,293		3,224,293
Total Employment Service Cluster			<u>\$ 15,393,452</u>	<u>\$ 18,429,228</u>	<u>\$ 33,822,680</u>
Job Training Partnership Act Cluster:					
Direct Programs:					
Employment and Training Assistance: Dislocated Workers	17.246		\$	\$ 367,415	\$ 367,415
Total Job Training Partnership Act Cluster			<u>\$ 0</u>	<u>\$ 367,415</u>	<u>\$ 367,415</u>
Workforce Investment Act Cluster:					
Direct Programs:					
Workforce Investment Act	17.255		\$ 3,687,213	\$ 61,129,099	\$ 64,816,312
WIA Adult Program	17.258			3,275,188	3,275,188
WIA Youth Activities	17.259			6,791,790	6,791,790
WIA Dislocated Workers	17.260		144,507	2,336,540	2,481,047
Total Workforce Investment Act Cluster			<u>\$ 3,831,720</u>	<u>\$ 73,532,617</u>	<u>\$ 77,364,337</u>
Direct Programs:					
Labor Force Statistics	17.002		\$ 2,509,452	\$	\$ 2,509,452
Trade Adjustment Assistance - Workers	17.245		240,861	4,281,393	4,522,254
Employment Services and Job Training Pilots: Demonstrations and Research	17.249		120,958	663,929	784,887
Welfare-to-Work Grants to States and Localities	17.253		201,096	9,136,522	9,337,618
WIA Incentive Grants - Section 503 Grants to States	17.267				0
Total Direct Programs			<u>\$ 3,072,367</u>	<u>\$ 14,081,844</u>	<u>\$ 17,154,211</u>
Total U.S. Department of Labor			\$ 22,297,539	\$ 106,411,104	\$ 128,708,643
<u>U.S. Department of Veterans Affairs</u>					
Direct Program:					
Veterans Information and Assistance	64.115		\$ 315,759	\$	\$ 315,759
Total U.S. Department of Veterans Affairs			\$ 315,759	\$ 0	\$ 315,759
<u>U.S. Department of Education</u>					
Student Financial Assistance Cluster:					
Direct Programs:					
Federal Supplemental Educational Opportunity Grants	84.007		\$ 32,421	\$	\$ 32,421
Federal Pell Grant Program	84.063		341,100		341,100
Total Student Financial Assistance Cluster			<u>\$ 373,521</u>	<u>\$ 0</u>	<u>\$ 373,521</u>
Direct Programs:					
Adult Education - State Grant Program	84.002		\$ 1,591,997	\$ 10,228,667	\$ 11,820,664
Vocational Education - Basic Grants to States	84.048		2,832,491	32,887,842	35,720,333

This schedule continued on next page.

For the Fiscal Year Ended September 30, 2002			Total Expended and Distributed for the Two-Year Period
Directly Expended	Distributed to Subrecipients	Total Expended and Distributed	
\$ 72,361	\$ 7,910,693	\$ 7,983,054	\$ 14,688,119
\$ 72,361	\$ 7,910,693	\$ 7,983,054	\$ 14,688,119
\$ 10,345,040	\$ 17,911,479	\$ 28,256,519	\$ 55,501,015
4,035,109		4,035,109	7,389,000
3,052,185		3,052,185	6,276,478
\$ 17,432,334	\$ 17,911,479	\$ 35,343,813	\$ 69,166,493
\$	\$	\$ 0	\$ 367,415
\$ 0	\$ 0	\$ 0	\$ 367,415
\$ 210,593	\$ 11,170,415	\$ 11,381,008	\$ 76,197,320
1,075,205	23,999,723	25,074,928	28,350,116
1,312,956	28,165,590	29,478,546	36,270,336
1,553,091	25,536,085	27,089,176	29,570,223
\$ 4,151,845	\$ 88,871,813	\$ 93,023,658	\$ 170,387,995
\$ 2,771,705	\$	\$ 2,771,705	\$ 5,281,157
196,022	5,573,593	5,769,615	10,291,869
		0	784,887
431,643	15,657,991	16,089,634	25,427,252
	1,390	1,390	1,390
\$ 3,399,370	\$ 21,232,974	\$ 24,632,344	\$ 41,786,555
\$ 24,983,549	\$ 128,016,266	\$ 152,999,815	\$ 281,708,458
\$ 259,578	\$	\$ 259,578	\$ 575,337
\$ 259,578	\$ 0	\$ 259,578	\$ 575,337
\$ 32,153	\$	\$ 32,153	\$ 64,574
221,620		221,620	562,720
\$ 253,773	\$ 0	\$ 253,773	\$ 627,294
\$ 1,976,305	\$ 13,226,518	\$ 15,202,823	\$ 27,023,487
2,560,017	35,886,683	38,446,700	74,167,033

MICHIGAN DEPARTMENT OF CAREER DEVELOPMENT
Schedule of Expenditures of Federal Awards (1)
For the Period October 1, 2000 through September 30, 2002
Continued

Federal Agency/Program or Cluster	CFDA (2) Number	Pass-Through Identification Number	For the Fiscal Year Ended September 30, 2001		
			Directly Expended	Distributed to Subrecipients	Total Expended and Distributed
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126		\$ 68,082,758	\$ 6,257,905	\$ 74,340,663
Rehabilitation Long-Term Training	84.129		173,978		173,978
Rehabilitation Services - Client Assistance Program	84.161			341,657	341,657
Independent Living - State Grants	84.169			384,582	384,582
Supported Employment Services for Individuals with Severe Disabilities	84.187		984,153	14,152	998,305
Assistive Technology	84.224		16,479	661,306	677,785
Rehabilitation Services Demonstration and Training - Special Demonstration Programs	84.235		665	(510)	155
Tech-Prep Education	84.243		193,666	3,278,903	3,472,569
Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	84.265		148,611	92,421	241,032
School to Work - State Implementation Grants - Extension	84.278		17,368	46,134	63,502
Gaining Early Awareness and Readiness for Undergraduate Program	84.334				0
Occupational and Employment Information State Grants	84.346		85,943		85,943
Total Direct Programs			<u>\$ 74,128,109</u>	<u>\$ 54,193,059</u>	<u>\$ 128,321,168</u>
Pass-Through Program:					
State of Oklahoma					
Vocational Education - National Centers for Career and Technical Education	84.051	V051B010002	\$	\$	\$ 0
Total U.S. Department of Education			<u>\$ 74,501,630</u>	<u>\$ 54,193,059</u>	<u>\$ 128,694,689</u>
<u>U.S. Department of Health and Human Services</u>					
Pass-Through Program:					
Michigan Family Independence Agency					
Temporary Assistance for Needy Families (TANF)	93.558	G9901MITANF	\$ 3,241,199	\$ 114,472,398	\$ 117,713,597
Total U.S. Department of Health and Human Services			<u>\$ 3,241,199</u>	<u>\$ 114,472,398</u>	<u>\$ 117,713,597</u>
<u>Corporation for National and Community Service</u>					
Direct Programs:					
State Commissions	94.003		\$ 494,610	\$	\$ 494,610
Learn and Serve America - School and Community Based Programs	94.004		23,942	103,001	126,943
AmeriCorps	94.006			3,882,896	3,882,896
Planning and Program Development Grants	94.007		6,333	243,574	249,907
Training and Technical Assistance	94.009		144	131,869	132,013
Total Corporation for National and Community Service			<u>\$ 525,029</u>	<u>\$ 4,361,340</u>	<u>\$ 4,886,369</u>
Total Expenditures of Federal Awards			<u><u>\$ 100,965,563</u></u>	<u><u>\$ 286,058,559</u></u>	<u><u>\$ 387,024,122</u></u>

(1) Basis of Presentation: This schedule includes the federal grant activity of the Michigan Department of Career Development and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial schedules. In certain programs, financed entirely by the federal government, expenditures and related revenues are recognized only to the extent of billings received by fiscal year-end. This treatment understates assets and liabilities and expenditures and revenues; however, there is no impact on the fund balance of the State's General Fund.

(2) CFDA is defined as *Catalog of Federal Domestic Assistance*.

For the Fiscal Year Ended September 30, 2002			Total Expended and Distributed
Directly Expended	Distributed to Subrecipients	Total Expended and Distributed	for the Two-Year Period
\$ 71,646,092	\$ 6,843,069	\$ 78,489,161	\$ 152,829,824
106,009		106,009	279,987
	339,493	339,493	681,150
	377,640	377,640	762,222
942,411	3,441	945,852	1,944,157
14,544	911,801	926,345	1,604,130
		0	155
180,701	3,508,143	3,688,844	7,161,413
165,598		165,598	406,630
		0	63,502
194,528	905,190	1,099,718	1,099,718
85,627	156,000	241,627	327,570
<u>\$ 77,871,832</u>	<u>\$ 62,157,978</u>	<u>\$ 140,029,810</u>	<u>\$ 268,350,978</u>

\$ 65,000	\$	\$ 65,000	\$ 65,000
<u>\$ 78,190,605</u>	<u>\$ 62,157,978</u>	<u>\$ 140,348,583</u>	<u>\$ 269,043,272</u>

\$ 812,280	\$ 56,248,519	\$ 57,060,799	\$ 174,774,396
<u>\$ 812,280</u>	<u>\$ 56,248,519</u>	<u>\$ 57,060,799</u>	<u>\$ 174,774,396</u>

\$ 365,595	\$ 12,034	\$ 377,629	\$ 872,239
51,997	189,525	241,522	368,465
	5,329,979	5,329,979	9,212,875
2,814	124,265	127,079	376,986
103,207	11,629	114,836	246,849
<u>\$ 523,613</u>	<u>\$ 5,667,432</u>	<u>\$ 6,191,045</u>	<u>\$ 11,077,414</u>
<u>\$ 104,841,986</u>	<u>\$ 260,000,888</u>	<u>\$ 364,842,874</u>	<u>\$ 751,866,996</u>



STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
201 N. WASHINGTON SQUARE
LANSING, MICHIGAN 48913
(517) 334-8050
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting

April 18, 2003

Mr. David C. Hollister, Director
Michigan Department of Career Development
Victor Center
Lansing, Michigan

Dear Mr. Hollister:

We have audited the financial schedules of the Michigan Department of Career Development for the fiscal years ended September 30, 2002 and September 30, 2001, as identified in the table of contents, and have issued our report thereon dated April 18, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Department's financial schedules are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

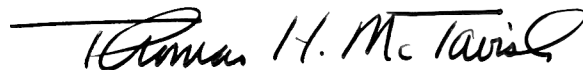
In planning and performing our audit, we considered the Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the Department's ability

to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules. The reportable conditions are described in the accompanying schedule of findings and questioned costs as Findings 1 through 6.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial schedules being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions identified in the previous paragraph is a material weakness.

This report is intended solely for the information and use of the State's management, the Legislature, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in black ink, reading "Thomas H. McTavish". The signature is fluid and cursive, with a long horizontal line extending from the start of the name.

Thomas H. McTavish, C.P.A.
Auditor General



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OFFICE OF THE AUDITOR GENERAL
201 N. WASHINGTON SQUARE
LANSING, MICHIGAN 48913
(517) 334-8050
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

Independent Auditor's Report on Compliance With
Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in
Accordance With OMB Circular A-133

April 18, 2003

Mr. David C. Hollister, Director
Michigan Department of Career Development
Victor Center
Lansing, Michigan

Dear Mr. Hollister:

Compliance

We have audited the compliance of the Michigan Department of Career Development with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each major federal program for the two-year period ended September 30, 2002. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each major federal program is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to in the previous paragraph that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Department's compliance with those requirements.

As described in Finding 7 in the accompanying schedule of findings and questioned costs, the Department did not comply with requirements regarding subrecipient monitoring that are applicable to its Adult Education - State Grant Program, Rehabilitation Services - Vocational Rehabilitation Grants to States, and Tech-Prep Education. Compliance with such requirements is necessary, in our opinion, for the Department to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the previous paragraph, the Michigan Department of Career Development complied, in all material respects, with the requirements referred to in the third previous paragraph that are applicable to each major federal program for the two-year period ended September 30, 2002. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 7 through 12.

Internal Control Over Compliance

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over compliance that, in our judgment, could adversely affect the Department's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable conditions are described in the accompanying schedule of findings and questioned costs as Findings 7 through 19.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions identified in the previous paragraph, we consider Finding 7 to be a material weakness.

This report is intended solely for the information and use of the State's management, the Legislature, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in black ink, reading "Thomas H. McTavish". The signature is fluid and cursive, with a long horizontal line extending from the start of the name.

Thomas H. McTavish, C.P.A.
Auditor General

SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

Section I: Summary of Auditor's Results

Financial Schedules

Type of auditor's report issued:	Unqualified*
Internal control* over financial reporting:	
Material weaknesses* identified?	No
Reportable conditions* identified that are not considered to be material weaknesses?	Yes
Noncompliance material to the financial schedules?	No

Federal Awards

Internal control over major programs:	
Material weakness identified?	Yes
Reportable conditions identified that are not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs:	
Unqualified for all major programs except for Adult Education - State Grant Program, Rehabilitation Services - Vocational Rehabilitation Grants to States, and Tech-Prep Education, which are qualified*.	
Any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133, Section 510(a)?	Yes

* See glossary at end of report for definition.

Identification of major programs:

<i>CFDA</i> Number	Name of Federal Program or Cluster
17.207, 17.801, 17.804	Employment Service Cluster
17.255, 17.258, 17.259, 17.260	Workforce Investment Act Cluster
17.002	Labor Force Statistics
17.245	Trade Adjustment Assistance - Workers
17.253	Welfare-to-Work Grants to States and Localities
64.115	Veterans Information and Assistance
84.007, 84.063	Student Financial Assistance Cluster
84.002	Adult Education - State Grant Program
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States
84.187	Supported Employment Services for Individuals with Severe Disabilities
84.224	Assistive Technology
84.243	Tech-Prep Education

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as a low-risk auditee*? No

* See glossary at end of report for definition.

Section II: Findings Related to the Financial Schedules

FINDING (450301)

1. Timely Deposit of Cash Receipts

The Michigan Department of Career Development (MDCD) did not deposit cash receipts on a timely basis.

Department of Management and Budget (DMB) Administrative Guide procedure 1210.04 requires that cash received by agencies must be deposited on the day of receipt or no later than the close of business the following day. In addition, the procedure states that checks in excess of \$100,000 must be deposited upon receipt and that checks in excess of \$500,000 require immediate notification to the Receipts Processing Division, Department of Treasury.

Our review of MDCD's cash receipts process disclosed that MDCD did not comply with DMB procedures for Employment Service Agency receipts. Our review of two receipts batches disclosed that checks were held an average of 24 days for one batch and 34 days for the other batch. Also, MDCD held checks in the amount of \$1,453,625, \$481,812, and \$59,400 for approximately 13, 31, and 18 days, respectively.

Untimely deposits result in an increased risk that cash receipts could be misappropriated or lost and lost interest income for the State.

RECOMMENDATION

We recommend that MDCD deposit cash receipts on a timely basis.

FINDING (450302)

2. Controls Over Cash Receipts

MDCD staff did not comply with prescribed internal control to help ensure that cash receipts were properly processed. Also, MDCD's cash receipts reconciliation process did not provide for appropriate separation of duties.

MDCD's cash receipts procedure states that deposit slips will be verified against checks and cash received and that the mailroom receipts log will be verified against the deposit slips. For each deposit, the cashier is to submit to the verifier

the adding machine tape for the deposit, the original and a copy of the deposit slip, checks and cash received from the mailroom, and the mailroom receipts log. The verifier is required to reconcile the deposit slip, checks and cash, and the mailroom receipts log. To document that the prescribed procedure was completed, the verifier initials both the mailroom receipts log and the copy of the deposit slip.

Our review of Employment Service Agency deposits disclosed that the mailroom receipts log was not provided to the verifier because checks and cash were received on multiple days and recorded on various mailroom receipts logs. As a result, the verifier failed to reconcile the deposit slips, checks and cash, and mailroom receipts logs and indicate that the reconciliation process was completed as prescribed.

Also, MDCD's cash receipts procedure inappropriately allows the cashier and the verifier to each have custody of all checks, cash, and related documents at various times during the receipts process.

MDCD's failure to comply with its prescribed internal control and limit staff access to checks, cash, and related documents increases the risk that cash receipts could be misappropriated or lost.

RECOMMENDATIONS

We recommend that MDCD comply with prescribed internal control to help ensure that cash receipts are properly processed.

We also recommend that MDCD implement appropriate separation of duties for its cash receipts reconciliation process.

FINDING (450303)

3. Separation of Duties in the Payroll Function

MDCD's internal control did not ensure that proper separation of payroll processing duties was maintained.

Data Collection and Distribution System* (DCDS) Procedures Manual section 9.6 states that the release of a timekeeping unit must be completed by someone other than the person who entered, audited, and/or certified the data collection information. MDCC did not have the proper separation of duties in some of its payroll procedures.

Our review of payroll transactions disclosed:

- a. The same employee both certified and released 31 (30%) of 103 payroll transactions and 31 (30%) of 105 payroll transactions sampled for fiscal years 2001-02 and 2000-01, respectively.
- b. The same employee performed both the audit and release functions in 4 (4%) of 103 payroll transactions and 9 (9%) of 105 payroll transactions sampled for fiscal years 2001-02 and 2000-01, respectively.

RECOMMENDATION

We recommend that MDCC ensure that proper separation of payroll processing duties is maintained.

FINDING (450304)

4. Separation of Duties in the Procurement Card* Function

MDCC did not have controls to compensate for the assignment of incompatible duties to the procurement card administrator.

Section 18.1485(2)(a) of the *Michigan Compiled Laws* (a section of the Management and Budget Act) states that each internal accounting and administrative control system shall include a plan of organization that provides for a separation of duties and responsibilities among employees.

MDCC's procurement card administrator's responsibilities include sending the completed application to the State Procurement Card Administrator at DMB for processing and issuance of a card. MDCC's administrator also receives the new procurement card back from DMB for distribution to the employee. As a result of

* See glossary at end of report for definition.

performing these functions, many of the administrator's duties prescribed in MDCCD's Procurement Card Procedures Manual are not compatible. These duties include:

- a. Reviewing new cardholder applications for all necessary information.
- b. Completing and signing the "Department Administrator" section of the application.
- c. Issuing the procurement card, the State of Michigan Cardholder Manual, the MDCCD Procurement Card Procedures Manual, and the cardholder agreement to the requesting employee.
- d. Writing the account number on the cardholder agreement.
- e. Assigning replacement procurement cards to employees.
- f. Reviewing billing information each billing cycle to determine whether purchases were appropriate.
- g. Collecting a card that is no longer needed and noting in the employee's file that the card has been returned.
- h. Completing account cancellations.

These duties could allow the issuance and use of procurement cards for inappropriate uses and impede MDCCD's ability to detect such unauthorized activities in the normal course of operations.

RECOMMENDATION

We recommend that MDCCD implement controls to compensate for the assignment of incompatible duties to the procurement card administrator.

FINDING (450305)

5. Procurement Card Purchases

MDCD's internal control did not ensure that procurement cards were used for only allowable purchases.

The MDCD Procurement Card Procedures Manual establishes guidelines for ineligible purchases using the procurement card. Ineligible purchases include computer software and any commodity that is not used to conduct business for the State of Michigan.

Our review of procurement card purchases disclosed that numerous employees purchased Internet dial-up services, although each had access to the State's network. We determined that 9 employees expended \$6,012 (\$4,293 in federal funds) and 13 employees expended \$5,499 (\$3,543 in federal funds) in fiscal years 2001-02 and 2000-01, respectively. Also, each employee's supervisor, MDCD's accounts payable pre-audit function, and the procurement card administrator did not question these purchases.

RECOMMENDATION

We recommend that MDCD improve its internal control to help ensure that procurement cards are used for only allowable purchases.

FINDING (450306)

6. Cash Management

MDCD's internal control did not ensure that federal funds were drawn on a timely basis.

The federal Cash Management Improvement Act (CMIA) of 1990 was enacted to achieve greater efficiency, effectiveness, and equity in the transfer of federal funds. The State has an agreement with the U.S. Department of Treasury to implement CMIA for selected major federal programs in accordance with Title 31, Section 205 of the *Code of Federal Regulations (CFR)*. To comply with CMIA, the State must annually compare actual and prescribed cash draws and determine if interest is due from or to the U.S. Department of Treasury. Also, for federal funds not subject to the agreement, the State is required to draw funds in accordance with general federal cash management requirements prescribed in federal regulation

31 *CFR* 205.32 - 205.35. These sections require MDCCD to minimize the time lapse between the receipt and disbursement of federal funds. In addition, Section 18.1395(5) of the *Michigan Compiled Laws* and DMB Administrative Guide procedure 1210.06 require State departments to expend restricted funds prior to General Fund money and to obtain federal funds as soon as they become available.

Our review of MDCCD's compliance with CMIA disclosed:

- a. MDCCD did not draw federal funds for the Michigan Rehabilitation Services (MRS) Program in accordance with the CMIA agreement.

MDCCD drew funds every 5 business days rather than the allowed 5 calendar days. This resulted in MDCCD completing cash draws an average of every 8 days. Also, we identified 12 instances in which MDCCD did not draw federal funds until 6 to 24 days after the previous draw and did not report the late draws to the Michigan Department of Treasury. As a result, interest income of approximately \$4,092 and \$5,071 for fiscal years 2001-02 and 2000-01, respectively, for the 12 instances was not recovered from the U.S. Department of Treasury. In addition, we noted 8 instances in which MDCCD drew federal funds before earning the funds. As a result, interest due of approximately \$7,359 and \$6,612 for fiscal years 2001-02 and 2000-01, respectively, for the 8 instances was not paid to the U.S. Department of Treasury.

- b. MDCCD did not draw federal funds for the Employment Service Program in accordance with general federal cash management requirements.

Based on overall clearance patterns, MDCCD was to draw federal funds every 8 days. However, we noted 7 instances in which MDCCD did not draw federal funds until 9 to 38 days after the previous draw. As a result, the State lost interest income of approximately \$3,413 and \$10,467 for fiscal years 2001-02 and 2000-01, respectively, based on the State's Common Cash pool rate of return.

RECOMMENDATION

We recommend that MDCCD improve its internal control to help ensure that federal funds are drawn on a timely basis.

The status of the findings related to the financial schedules that were reported in prior Single Audits* is disclosed in the summary schedule of prior audit findings.

Section III: Findings and Questioned Costs Related to Federal Awards

FINDING (450307)

7. Subrecipient* Monitoring

U.S. Department of Labor	CFDA: 17.255 Workforce Investment Act 17.258 WIA Adult Program 17.259 WIA Youth Activities 17.260 WIA Dislocated Workers
Award Number: Various	Award Period: Various
	Questioned Costs: \$0

U.S. Department of Education	CFDA: 84.002 Adult Education - State Grant Program
Award Number: V002A020022 V002A010022 V002A000022	Award Period: 07/30/2002 - 09/30/2003 07/01/2001 - 09/30/2002 07/01/2000 - 09/30/2001
	Questioned Costs: \$0

U.S. Department of Education	CFDA: 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
Award Number: H126A020030 H126A010030 H126A000030	Award Period: 10/01/2001 - 09/30/2003 10/01/2000 - 09/30/2002 10/01/1999 - 09/30/2001
	Questioned Costs: \$0

* See glossary at end of report for definition.

U.S. Department of Education	CFDA: 84.243 Tech-Prep Education
Award Number: V243A020022 V243A010022 V243A000022 V243A990093	Award Period: 07/01/2002 - 09/30/2003 07/01/2001 - 09/30/2002 10/13/2000 - 09/30/2001 07/01/1999 - 09/30/2000
	Questioned Costs: \$0

MDCD's internal control did not ensure that subrecipients were sufficiently monitored for compliance with federal laws and regulations and grant agreement provisions. We consider this condition to be a material internal control weakness for the Workforce Investment Act (CFDA 17.255), WIA Adult Program (CFDA 17.258), WIA Youth Activities (CFDA 17.259), WIA Dislocated Workers (CFDA 17.260), Adult Education - State Grant Program (CFDA 84.002), Rehabilitation Services - Vocational Rehabilitation Grants to States (CFDA 84.126), and Tech-Prep Education (CFDA 84.243).

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires MDCD to monitor subrecipient activities to provide reasonable assurance that the subrecipients administer federal awards in compliance with federal regulations.

We noted the following regarding subrecipient monitoring:

- a. MDCD did not perform adequate fiscal monitoring of its subrecipients of the Workforce Investment Act Cluster.

MDCD administers several federal programs, including the Workforce Investment Act Cluster, for which federal regulations require that distributions to subrecipients be based on actual expenditures of the subrecipients. MDCD is to distribute grant funds to subrecipients on an as-needed basis using a formal written request process. However, MDCD procedures did not require verification of the expenditures reported by subrecipients.

MDCD informed us that one subrecipient had submitted inaccurate expenditure reports, over a period of several years, resulting in the over-reporting of expenditures and the receipt of reimbursements for expenditures that had not been incurred. This inaccurate reporting, which also involved the Job Partnership Training Act Program (CFDA 17.250), went undetected until

recently. Initial estimates provided by MDCCD indicated that amounts distributed to the subrecipient that were not expended by the subrecipient totaled approximately \$5.9 million. A portion of this amount includes unexpended vendor and client payments. MDCCD also reported that, as of June 12, 2003, approximately \$2.8 million of these distributions had been recovered.

MDCCD also informed us that information pertaining to these distributions has been reported to the U.S. Department of Labor.

- b. To monitor Adult Education - State Grant (Adult Education) Program and Tech-Prep Education Program subrecipients, MDCCD has an agreement with the Michigan Department of Education to perform desk reviews of local and intermediate school districts' annual audit reports. The Michigan Department of Education is to forward Adult Education and Tech-Prep Program issues identified to MDCCD. Our review of MDCCD's monitoring disclosed:
 - (1) The Adult Education and Tech-Prep Programs may not always be a major federal program for a school district and subject to Single Audit procedures. As a result, MDCCD sometimes does not monitor these subrecipients.
 - (2) The Adult Education Program had 19 (16%) of 121 subrecipients and 26 (18%) of 146 subrecipients in fiscal years 2001-02 and 2000-01, respectively, that were not school districts and were not monitored. These subrecipients accounted for approximately \$1.3 million (10%) of the \$13.2 million and \$1.3 million (13%) of the \$10.3 million distributed to subrecipients in fiscal years 2001-02 and 2000-01, respectively.
 - (3) The Tech-Prep Education Program had no monitoring system in place as reported in Finding 3 of our concurrent performance audit of the Office of Career and Technical Preparation.
- c. MDCCD had established controls for monitoring MRS subrecipients. These controls included procedures for tracking the submission of subrecipient audits and reviewing the audits for compliance. Control procedures also included conducting periodic site visits of subrecipients and receiving and reviewing

financial and performance quarterly reports submitted by subrecipients. Our review of MDCD's compliance with these controls disclosed:

- (1) MDCD did not monitor MRS subrecipients to ensure that they submitted their required audit reports on a timely basis. There were 64 MRS subrecipients required to submit Single Audit reports to MDCD within 9 months of the end of the subrecipients' fiscal year. We noted that 44 (69%) of 64 MRS subrecipients did not submit their audit reports within the required 9 months, an average of 8.2 months late as of March 31, 2003. We also noted that 14 (32%) of the 44 reports were not submitted as of March 31, 2003.
- (2) MDCD did not review 17 (34%) of 50 submitted Single Audit reports within 6 months after their receipt as required by the Single Audit Act. MDCD completed its reviews an average of 6.3 months late as of March 31, 2003. Also, we noted that MDCD had 11 (65%) of 17 submitted audit reports for at least 6 months; however, these audit reports were not reviewed as of March 31, 2003 and were an average of 7.3 months late at that point.

MDCD's failure to comply with prescribed controls related to Single Audit requirements does not provide proper oversight of its subrecipients and could result in the loss of federal funds.

RECOMMENDATION

We recommend that MDCD enhance its internal control to help ensure that subrecipients are sufficiently monitored for compliance with federal laws and regulations and grant agreement provisions.

FINDING (450308)

8. Verification of Student Financial Assistance Application Information

U.S. Department of Education	CFDA: 84.063 Federal Pell Grant Program
Award Number: P063P014701 P063P004701	Award Period: 07/01/2001 - Depletion 07/01/2000 - Depletion
	Questioned Costs: \$700

MDCD's controls did not ensure that information reported on students' federal financial assistance applications was accurately verified.

Federal regulation 34 *CFR* 668.56 requires verification of specific income and non-income items when a student's financial assistance application is selected for the verification process. One of the items that must be verified is U.S. income tax paid. The U.S. Department of Education (USDOE) annually publishes the *Federal Student Financial Aid Handbook*, providing detailed instructions regarding each line(s) by federal income tax return form filed that verifiers must review to verify federal income tax paid.

Federal income tax paid is a component of determining the student's expected family contribution which is compared with the educational institution's cost of attendance to determine the amount of federal financial assistance that the student is eligible to receive each award year. The *Handbook* allows a \$400 variance between the federal income tax paid reported on the financial aid application and the actual federal income tax paid. If the variance is greater than \$400, the student's federal assistance award must be recalculated.

We determined that the Michigan Career and Technical Institute (MCTI) is responsible for verifying federal income tax paid. MCTI inaccurately verified 5 (25%) of 20 randomly selected financial aid applications. We noted that MCTI did not properly consider certain tax credits and tax payments. Specifically:

- a. For 2 applications, MCTI verified the federal income tax paid amount based on the tentative or actual tax amount, without reducing the tax paid by various credits, such as the foreign tax credit, credit for child and dependent care expenses, credit for the elderly or disabled, education credits, child tax credit, and adoption credit. The *Handbook* states that federal income tax paid is determined by subtracting these credits from the tentative or actual tax amount.
- b. For 1 application, MCTI verified the federal income tax paid amount based on the total tax, including self-employment tax. The *Handbook* states that self-employment tax is not included in the determination of federal income tax paid.
- c. For 2 applications, MCTI verified the federal income tax paid amount based on the total income tax withheld less the earned income credit and the additional

child tax credit. The *Handbook* states that federal income tax paid is based on the tentative or actual tax amount less various credits (item a.), which do not include the earned income credit or the additional child tax credit.

For all 5 applications, the federal income tax paid, calculated in accordance with the *Handbook*, was less than the amount reported on the application and exceeded the \$400 allowed variance. In 4 of the 5 instances, the variance impacted the expected family contribution, which resulted in total excess awards of \$700. In the other instance, the variance did not affect the award amount because the student's and parents' combined adjusted gross income amount was below the threshold that would result in a change to the expected family contribution.

RECOMMENDATION

We recommend that MDCD implement controls to help ensure that information reported on students' federal financial assistance applications is accurately verified.

FINDING (450309)

9. Refunds and Postwithdrawal Disbursement of Federal Pell Grant Program Funds

U.S. Department of Education	CFDA: 84.063 Federal Pell Grant Program
Award Number: P063P014701 P063P004701	Award Period: 07/01/2001 - Depletion 07/01/2000 - Depletion
	Questioned Costs: \$5,584

MDCD's controls did not ensure that Federal Pell Grant Program (Title IV) funds were properly received from or refunded to the USDOE when a student withdraws from his/her educational program or fails to maintain satisfactory academic progress (SAP).

Federal regulation 34 *CFR* Section 668.22(j)(1) states that an educational institution must return the amount of Title IV funds for which it is responsible as soon as possible but no later than 30 days after the date the institution determined that a student withdrew prior to the conclusion of an academic period and Title IV funds were disbursed to or on behalf of the student for that academic period. Also, an educational institution must calculate a postwithdrawal disbursement if the student is scheduled to receive Title IV funds for an academic period but withdraws

prior to the conclusion of that academic period and prior to Title IV funds being disbursed to or on behalf of the student. Volume 2, Chapter 6, page 2-111 of the 2000-01 *Federal Student Financial Aid Handbook* states that postwithdrawal disbursements must be made within 90 days of the educational institution's determination that the student withdrew.

In addition, federal regulation 34 *CFR* Section 668.32(f) states that a student is eligible to receive Title IV funds if the student maintains SAP in his/her course of study according to the educational institution's published standards. MCTI's SAP policy required that a student maintain the equivalent of a 2.0 grade point average (GPA) and complete classes at a rate that would allow completion of the program within a period no greater than 1.5 times the normal program length. Also, if a student's GPA was below 2.0 for an academic term, MCTI would place the student on academic probation. If the student's GPA was below 2.0 for consecutive terms, MCTI's SAP policy stated that the student's financial aid would be terminated.

Our review of a random sample of student records for 64 MCTI students who received Title IV funds during our audit period (award years 2000-01, 2001-02, and 2002-03) disclosed:

- a. MCTI did not properly calculate the amount of the postwithdrawal disbursements or make timely requests for payments for 4 (36%) of 11 applicable students.

A postwithdrawal disbursement calculation was necessary for 11 of the 64 students. We determined that MCTI used the incorrect total number of days for the academic period in its calculation for 2 students resulting in MCTI receiving a distribution of \$86 in excess of the appropriate amount. Also, MCTI did not make the request for postwithdrawal disbursement within the required 90 days for 2 other students. These requests for disbursements were made 93 and 5 days late and resulted in inappropriate reimbursements totaling \$1,464 from the USDOE.

- b. Two (3%) of 64 students did not meet the SAP requirement to be eligible for continued Federal Pell Grant Program funding.

We determined that these students had two consecutive terms with GPAs below 2.0 but continued to receive Title IV funds. In addition, MCTI did not

have effective controls to monitor SAP compliance, which was also noted in a USDOE review in November 2002. MCTI received inappropriate distributions of \$4,034 on behalf of these 2 students.

RECOMMENDATION

We recommend that MDCCD implement controls to help ensure that Title IV funds are properly received from or refunded to the USDOE when a student withdraws from his/her educational program or fails to maintain SAP.

FINDING (450310)

10. Supported Employment Services Eligibility Determination

U.S. Department of Education	CFDA: 84.187 Supported Employment Services for Individuals with Severe Disabilities
Award Number: H187A020031 H187A010031 H187A000031	Award Period: 10/01/2001 - 09/30/2003 10/01/2000 - 09/30/2002 10/01/1999 - 09/30/2001
	Questioned Costs: \$1,321

MDCCD should improve its internal control to help ensure that all information required to determine client eligibility for Supported Employment Services for Individuals with Severe Disabilities (SES) is obtained.

Federal regulation 34 *CFR* 363.3 states that for an individual to be eligible for services, supported employment has to be identified as the appropriate rehabilitation objective on the basis of a comprehensive assessment of rehabilitation needs. In addition, Workforce Development Policy 1.2050 states that an individualized written rehabilitation program (called an individualized plan for employment [IPE] at the time of our audit) shall be promptly developed with the client, agreed to, and signed within the framework of a counseling and guidance relationship. Also, MDCCD's guidance entitled "Supported Employment Job Aid" states that an IPE must be completed prior to the authorization of services.

SES is more restrictive than most other rehabilitation services and more comprehensive procedures are needed to determine client eligibility. However, we noted that MDCCD supervisors are required to review only new counselors' cases

prior to services being authorized. For other counselors, supervisors must review only a minimum of 4 case files each quarter.

Our review of 54 randomly selected SES case files disclosed that 4 (7%) did not fully document the clients' eligibility for services. Specifically:

- a. Three files did not contain an IPE.
- b. One file did not contain an IPE signed by the client.

As a result, we noted questioned costs of \$1,321 for fiscal year 2001-02.

RECOMMENDATION

We recommend that MDCD enhance its internal control to help ensure that all information required to determine client eligibility for SES is obtained.

FINDING (450311)

11. Maintenance of Effort

U.S. Department of Education	CFDA: 84.002 Adult Education - State Grant Program
Award Number: V002A020022 V002A010022 V002A000022	Award Period: 07/30/2002 - 09/30/2003 07/01/2001 - 09/30/2002 07/01/2000 - 09/30/2001
	Questioned Costs: \$0

MDCD's controls did not ensure that its Adult Education Program maintenance of effort (MOE) calculation included only eligible expenditures.

Title 20, Section 9251(b) of the *Code of Laws of the United States* establishes the MOE criteria for an agency to receive funds. Section 9251(b) states that an agency may receive funds if the aggregate expenditures for adult education in the second preceding fiscal year were not less than 90% of the fiscal effort of the aggregate expenditures in the third preceding fiscal year.

MDCD's calculation of MOE for the Adult Education Program included State General Fund expenditures reported by the Department of Corrections. These included expenditures for the Adult Education Program and administrative expenditures that were eligible for the MOE calculation. However, we determined the expenditures also included other State General Fund expenditures and administrative expenditures that supported other federal programs and were not eligible for the Adult Education Program's MOE calculation. MDCD did not review the propriety of the expenditures reported by the Department of Corrections and included all of the reported expenditures in its MOE calculation. We determined that MDCD complied with its MOE requirements when utilizing only eligible Department of Correction's expenditures.

RECOMMENDATION

We recommend that MDCD implement controls to help ensure that its Adult Education Program MOE calculation includes only eligible expenditures.

FINDING (450312)

12. Personnel-Payroll Cost Distributions

U.S. Department of Labor	CFDA: 17.207 Employment Service
Award Number: 205-02, 206-02 205-01, 206-01, 215-01 164-02 164-01 205-00, 215-00, 216-00 215-99 91678 X-6047-7-00-80-60	Award Period: 07/01/2002 - 06/30/2005 07/01/2001 - 06/30/2004 10/01/2001 - 09/30/2004 10/01/2000 - 09/30/2003 07/01/2000 - 06/30/2003 07/01/1999 - 06/30/2002 10/01/1997 - 09/30/1998 01/01/1997 - 06/30/2001
	Questioned Costs: \$0

U.S. Department of Labor	CFDA: 17.801 Disabled Veterans' Outreach Program (DVOP)
Award Number: 203-02 203-01	Award Period: 10/01/2001 - 12/30/2004 10/01/2000 - 12/30/2001
	Questioned Costs: \$0

U.S. Department of Labor	CFDA: 17.804 Local Veterans' Employment Representative Program
Award Number: 202-02 202-01	Award Period: 10/01/2001 - 12/30/2002 10/01/2000 - 12/30/2001
	Questioned Costs: \$0

U.S. Department of Labor	CFDA: 17.002 Labor Force Statistics
Award Number: 121-02, 122-02, 123-02, 124-02, 125-02, 134-01, 136-01 121-01, 122-01,123-01, 124-01, 125-01 131-00	Award Period: 10/01/2001 - 09/30/2002 10/01/2000 - 09/30/2001 07/30/2000 - 09/30/2001
	Questioned Costs: \$0

U.S. Department of Education	CFDA: 84.002 Adult Education - State Grant Program
Award Number: V002A020022 V002A010022 V002A000022	Award Period: 07/30/2002 - 09/30/2003 07/01/2001 - 09/30/2002 07/01/2000 - 09/30/2001
	Questioned Costs: \$0

MDCD's internal control did not ensure that personnel-payroll cost distributions to federal programs were properly documented in accordance with federal requirements.

OMB Circular A-87, Attachment B, Part 11h, requires employees charged 100% to a single grant program or cost objective to certify, at least semi-annually, that they worked solely on a single grant program or cost objective.

Our review of employees working solely on federal programs disclosed:

- a. Ten (26%) of 38 employees working solely on programs within the Employment Service Cluster did not complete all required semi-annual certifications. Two (20%) of these 10 employees did not complete any of the required semi-annual certifications. Specifically:

- (1) Four employees worked solely on the Employment Service grant.

- (2) Three employees worked solely on the Local Veterans' Employment Representative Program grant.
 - (3) One employee worked solely on the Disabled Veterans' Outreach Program grant.
 - (4) One employee worked solely on the Systems Implementation grant.
 - (5) One employee worked solely on the One-Stop Career Center Implementation grant.
- b. Two employees working solely on the Labor Force Statistics (LFS) Program did not complete the required semi-annual certifications.
 - c. One employee working solely on the Adult Education Program did not complete the required semi-annual certifications.

We reported on this finding in our prior audit report. MDCCD's corrective action plan stated that it agreed with the recommendation and would comply.

RECOMMENDATION

WE AGAIN RECOMMEND THAT MDCCD ENHANCE ITS INTERNAL CONTROL TO HELP ENSURE THAT PERSONNEL-PAYROLL COST DISTRIBUTIONS TO FEDERAL PROGRAMS ARE PROPERLY DOCUMENTED IN ACCORDANCE WITH FEDERAL REQUIREMENTS.

FINDING (450313)

13. Federal Financial Reporting

U.S. Department of Labor	CFDA: 17.207 Employment Service
Award Number: 205-02, 206-02 205-01, 206-01, 215-01 164-02 164-01 205-00, 215-00, 216-00 215-99 91678 X-6047-7-00-80-60	Award Period: 07/01/2002 - 06/30/2005 07/01/2001 - 06/30/2004 10/01/2001 - 09/30/2004 10/01/2000 - 09/30/2003 07/01/2000 - 06/30/2003 07/01/1999 - 06/30/2002 10/01/1997 - 09/30/1998 01/01/1997 - 06/30/2001
	Questioned Costs: \$0

U.S. Department of Labor	CFDA: 17.002 Labor Force Statistics
Award Number: 121-02, 122-02, 123-02, 124-02, 125-02, 134-01, 136-01 121-01, 122-01, 123-01, 124-01, 125-01 131-00	Award Period: 10/01/2001 - 09/30/2002 10/01/2000 - 09/30/2001 07/30/2000 - 09/30/2001
	Questioned Costs: \$0

U.S. Department of Labor	CFDA: 17.245 Trade Adjustment Assistance - Workers
Award Number: TA118901J0, TA118901L0 TA11121FX0, TA11121FZ0 916100A, 916400A, 91700A, 917400A	Award Period: 10/01/2001 - 09/30/2004 10/01/2000 - 09/30/2003 10/01/1999 - 09/30/2000
	Questioned Costs: \$0

MDCD's internal control did not ensure that required quarterly and monthly financial status reports were submitted to the U.S. Department of Labor (USDOL) on a timely basis.

Federal regulation 29 *CFR* 97.41 and the grant agreements for the federal grants, including the Employment Service, LFS, and Trade Adjustment Assistance - Workers (TAA) Programs, require MDCCD to submit quarterly and/or monthly federal financial reports. The federal regulations and grant agreements require that these reports be submitted within 30 days after the end of each reporting period.

Our review of the federal program financial reporting compliance requirements disclosed:

- a. MDCCD submitted 19 (40%) of 47 Employment Service Program quarterly financial status reports (SF-269s) for fiscal years 2001-02 and 2000-01 from 2 to 43 days late, an average of 21 days after they were due.
- b. MDCCD was not timely in its submission of reports for the LFS Program. In fiscal year 2000-01, the USDOL granted a waiver allowing MDCCD to submit LFS Program quarterly and monthly reports up to 60 days after the end of each quarter and final closeout reports up to 120 days after the end of the fiscal year. In fiscal year 2001-02, the USDOL granted a waiver allowing MDCCD to submit monthly reports up to 30 days after the end of each quarter rather than 30 days after the end of each month. The USDOL did not renew the quarterly and final closeout report waivers. MDCCD submitted:
 - (1) Six (38%) of 16 quarterly Cost Accounting System (CAS) 61 reports and CAS 94B reports from 8 to 56 days late, an average of 29 days after they were due.
 - (2) Nine (38%) of 24 monthly CAS 65 reports from 8 to 56 days late, an average of 33 days after they were due.
 - (3) One (33%) of 3 annual grant closeout reports 10 days late.
- c. MDCCD submitted 18 (67%) of 27 TAA quarterly financial status reports and request for funds reports (ETA 9023) for fiscal years 2001-02 and 2000-01 from 5 to 80 days late, an average of 34 days after they were due.

We reported on this finding in our prior audit report. MDCCD's corrective action plan stated that it agreed with the recommendation and would comply.

RECOMMENDATION

WE AGAIN RECOMMEND THAT MDCCD ENHANCE ITS INTERNAL CONTROL TO HELP ENSURE THAT REQUIRED QUARTERLY AND MONTHLY FINANCIAL STATUS REPORTS ARE SUBMITTED TO THE USDOL ON A TIMELY BASIS.

FINDING (450314)

14. Federal Performance Reporting

U.S. Department of Labor	CFDA: 17.002 Labor Force Statistics
Award Number: 121-02, 122-02, 123-02, 124-02, 125-02, 134-01, 136-01 121-01, 122-01, 123-01, 124-01, 125-01 131-00	Award Period: 10/01/2001 - 09/30/2002 10/01/2000 - 09/30/2001 07/30/2000 - 09/30/2001
	Questioned Costs: \$0

U.S. Department of Labor	CFDA: 17.245 Trade Adjustment Assistance - Workers
Award Number: TA118901J0, TA118901L0 TA11121FX0, TA11121FZ0 916100A, 916400A, 91700A, 917400A	Award Period: 10/01/2001 - 09/30/2004 10/01/2000 - 09/30/2003 10/01/1999 - 09/30/2000
	Questioned Costs: \$0

MDCD's internal control did not ensure that required LFS Program deliverables (various reports and data) and TAA performance reports were submitted on a timely basis and properly documented.

MDCD administers 5 individual programs within the LFS Program for which it must submit deliverables to the USDOL. These programs include:

- a. The Local Area Unemployment Statistics (LAUS) Program, which provides monthly estimates of labor force, employment, unemployment, and unemployment rates for the State, metropolitan areas, and other areas.
- b. The ES-202 Program, which provides data on monthly employment, total quarterly wages, taxable wages, and employer contributions and prepares an Enhanced Quarterly Unemployment Insurance name and address file.
- c. The Mass Layoff Statistics (MLS) Program, which uses an automated approach to identify, describe, and track the impact of major permanent job cutbacks.

- d. The Current Employment Statistics (CES) Program, which provides current estimates of employment, hours, and earnings data by industry for the State and local areas.
- e. The Occupational Employment Statistics Program, which provides occupational employment and wage estimates for wage and salary workers annually for the State, metropolitan areas, and other areas.

In addition, within the LAUS and ES-202 Programs are Additional Activities to Maintain Currency (AAMC) program grants, which include both budget and programmatic changes to the base programs. These AAMC grants also have stated deliverables that MDCD is required to submit to the USDOL.

MDCD is required to submit the TAA performance report (ETS 563) within 30 days after the end of each reporting period. In addition, USDOL Training and Employment Guidance Letter 11-00 requires MDCD to submit a quarterly Trade Act Participation Report (TAPR) within 45 days after the end of each reporting period.

Our review of the federal deliverables and performance reporting compliance requirements disclosed:

- a. MDCD did not submit LFS Program deliverables on a timely basis, specifically:
 - (1) MDCD did not submit LAUS Program required reports within required time lines. We noted that 3 (13%) of 24 monthly Statewide reports, 2 (8%) of 24 monthly local area reports, 5 (21%) of 24 monthly written economic analyses, and 3 (75%) of 4 required annual letters or statements were not submitted on a timely basis. These items were submitted from 3 to 169 days after they were due.
 - (2) MDCD did not submit ES-202 Program required reports within required time lines. We noted that 2 (15%) of 13 monthly reports and 14 (26%) of 53 weekly status reports for the AAMC Program were not submitted on a timely basis. These reports were submitted from 1 to 12 days after they were due. Also, MDCD did not submit 5 (38%) of 13 monthly reports and 24 (45%) of 53 weekly status reports for the AAMC Program to the USDOL.

- (3) MDCCD did not submit MLS Program required reports within required time lines. We noted that 4 (17%) of 24 monthly reports and 1 (13%) of 8 quarterly reports were not submitted timely. These reports were submitted from 1 to 27 days after they were due.
 - (4) MDCCD did not submit CES Program monthly and quarterly data within required time lines. We noted that 1 (14%) of 7 documented transmittals of monthly estimates and 1 (14%) of 7 documented transmittals of quarterly reports were not submitted on a timely basis. This data was transmitted from 21 to 36 days after it was due. Also, MDCCD did not have sufficient documentation to support all CES Program monthly, quarterly, and annual data transmitted to the USDOL. We noted that data transmitted in 17 (71%) of 24 monthly estimates, 1 (13%) of 8 quarterly reports, and 1 (50%) of 2 annual reports was not documented.
- b. MDCCD did not submit TAA performance reports on a timely basis, specifically:
- (1) MDCCD submitted 7 (88%) of 8 ETS 563 reports for fiscal years 2001-02 and 2000-01 from 7 to 35 days late, an average of 24 days after they were due.
 - (2) MDCCD submitted 5 (63%) of 8 TAPRs for fiscal years 2001-02 and 2000-01 from 4 to 54 days late, an average of 20 days after they were due.

RECOMMENDATION

We recommend that MDCCD enhance its internal control to help ensure that required LFS Program deliverables and TAA performance reports are submitted on a timely basis and properly documented.

FINDING (450315)

15. Data and Program Change Controls

U.S. Department of Labor	CFDA: 17.207 Employment Service
Award Number: 205-02, 206-02 205-01, 206-01, 215-01 164-02 164-01 205-00, 215-00, 216-00 215-99 91678 X-6047-7-00-80-60	Award Period: 07/01/2002 - 06/30/2005 07/01/2001 - 06/30/2004 10/01/2001 - 09/30/2004 10/01/2000 - 09/30/2003 07/01/2000 - 06/30/2003 07/01/1999 - 06/30/2002 10/01/1997 - 09/30/1998 01/01/1997 - 06/30/2001
	Questioned Costs: \$0

U.S. Department of Labor	CFDA: 17.255 Workforce Investment Act
Award Number: AA-10300-00-50 A-7369-9-00-87-50 A-6706-8-00-87-50	Award Period: 07/01/2000 - 06/30/2003 07/01/2000 - 06/30/2002 07/01/2000 - 06/30/2002
	Questioned Costs: \$0

U.S. Department of Labor	CFDA: 17.258 WIA Adult Program
Award Number: AA-12017-02-50 AA-11258-01-50	Award Period: 07/01/2002 - 06/30/2005 07/01/2001 - 06/30/2004
	Questioned Costs: \$0

U.S. Department of Labor	CFDA: 17.259 WIA Youth Activities
Award Number: AA-12017-02-50 AA-11258-01-50	Award Period: 04/01/2002 - 06/30/2005 04/01/2001 - 06/30/2004
	Questioned Costs: \$0

U.S. Department of Labor	CFDA: 17.260 WIA Dislocated Workers
Award Number: AA-12017-02-50 EM-12074-02-60 EM-12074-02-60 AA-11258-01-50	Award Period: 07/01/2002 - 06/30/2005 03/07/2002 - 03/31/2004 10/01/2001 - 03/31/2003 07/01/2001 - 06/30/2004
	Questioned Costs: \$0

U.S. Department of Labor	CFDA: 17.245 Trade Adjustment Assistance - Workers
Award Number: TA118901J0, TA118901L0 TA11121FX0, TA11121FZ0 916100A, 916400A, 91700A, 917400A	Award Period: 10/01/2001 - 09/30/2004 10/01/2000 - 09/30/2003 10/01/1999 - 09/30/2000
	Questioned Costs: \$0

U.S. Department of Labor	CFDA: 17.253 Welfare-to-Work Grants to States and Localities
Award Number: Y-6439-8-0081-50	Award Period: 02/24/1998 - 02/23/2003
	Questioned Costs: \$0

U.S. Department of Education	CFDA: 84.002 Adult Education - State Grant Program
Award Number: V002A020022 V002A010022 V002A000022	Award Period: 07/30/2002 - 09/30/2003 07/01/2001 - 09/30/2002 07/01/2000 - 09/30/2001
	Questioned Costs: \$0

U.S. Department of Education	CFDA: 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
Award Number: H126A020030 H126A010030 H126A000030	Award Period: 10/01/2001 - 09/30/2003 10/01/2000 - 09/30/2002 10/01/1999 - 09/30/2001
	Questioned Costs: \$0

MDCD should ensure that the Department of Information Technology properly institutes sufficient data and program change controls for systems that MDCD uses to maintain and process information for its federal programs.

Effective general controls, such as data and program change controls, are necessary to maintain the integrity of data contained in an entity's various systems. MDCD uses several systems to compile data and develop reports in its administration of numerous federal programs. MDCD systems and their primary function are the Fiscal System, which records cash expenditures made for federal program grants; the Accessible Web-Based Activity and Reporting Environment System (AWARE), which maintains federal program participant data necessary for

the federal RSA 911 report; and the Michigan One-Stop System, which collects recipient and program data from federal programs operated by various MDCD subrecipients.

Our review of data and program change controls for these systems disclosed:

- a. Programmers had unrestricted access to data files for the Fiscal System, AWARE, and Michigan One Stop System. Also, 3 users had access to and the ability to change data files for AWARE.

Sound internal control requires that programmers have access to only test data and that only authorized users have access to and the ability to change production data. Restricting access to production data or establishing compensating controls would help ensure the integrity of the data.

- b. Programmers had unrestricted access to the program files for the Fiscal System and AWARE.

To ensure the integrity of changes to programs, the Department of Information Technology should implement a process that segregates the duties of making changes to programs and moving the programs into production. The ability to move changes into production should be the responsibility of a library control group. Allowing programmers to move programs into production increases the risk that unauthorized changes could be made to programs.

These internal control weaknesses could affect the following major federal programs that were included within the scope of this Single Audit: Employment Service Cluster, Workforce Investment Act Cluster, Trade Adjustment Assistance - Workers, Welfare-to-Work Grants to States and Localities, Adult Education - State Grant Program, and Rehabilitation Services - Vocational Rehabilitation Grants to States. These programs could be affected in either the federal cash draw process or federal program performance reporting.

RECOMMENDATION

We recommend that MDCD ensure that the Department of Information Technology properly institutes sufficient data and program change controls for systems that MDCD uses to maintain and process information for its federal programs.

FINDING (450316)

16. Separation of Duties in the Payroll Function

U.S. Department of Labor	CFDA: 17.207 Employment Service
Award Number: 205-02, 206-02 205-01, 206-01, 215-01 164-02 164-01 205-00, 215-00, 216-00 215-99 91678 X-6047-7-00-80-60	Award Period: 07/01/2002 - 06/30/2005 07/01/2001 - 06/30/2004 10/01/2001 - 09/30/2004 10/01/2000 - 09/30/2003 07/01/2000 - 06/30/2003 07/01/1999 - 06/30/2002 10/01/1997 - 09/30/1998 01/01/1997 - 06/30/2001
	Questioned Costs: \$0

U.S. Department of Labor	CFDA: 17.801 Disabled Veterans' Outreach Program (DVOP)
Award Number: 203-02 203-01	Award Period: 10/01/2001 - 12/30/2004 10/01/2000 - 12/30/2001
	Questioned Costs: \$0

U.S. Department of Labor	CFDA: 17.804 Local Veterans' Employment Representative Program
Award Number: 202-02 202-01	Award Period: 10/01/2001 - 12/30/2002 10/01/2000 - 12/30/2001
	Questioned Costs: \$0

U.S. Department of Labor	CFDA: 17.255 Workforce Investment Act
Award Number: AA-10300-00-50 A-7369-9-00-87-50 A-6706-8-00-87-50	Award Period: 07/01/2000 - 06/30/2003 07/01/2000 - 06/30/2002 07/01/2000 - 06/30/2002
	Questioned Costs: \$0

U.S. Department of Labor	CFDA: 17.258 WIA Adult Program
Award Number: AA-12017-02-50 AA-11258-01-50	Award Period: 07/01/2002 - 06/30/2005 07/01/2001 - 06/30/2004
	Questioned Costs: \$0

U.S. Department of Labor	CFDA: 17.259 WIA Youth Activities
Award Number: AA-12017-02-50 AA-11258-01-50	Award Period: 04/01/2002 - 06/30/2005 04/01/2001 - 06/30/2004
	Questioned Costs: \$0

U.S. Department of Labor	CFDA: 17.260 WIA Dislocated Workers
Award Number: AA-12017-02-50 EM-12074-02-60 EM-12074-02-60 AA-11258-01-50	Award Period: 07/01/2002 - 06/30/2005 03/07/2002 - 03/31/2004 10/01/2001 - 03/31/2003 07/01/2001 - 06/30/2004
	Questioned Costs: \$0

U.S. Department of Labor	CFDA: 17.245 Trade Adjustment Assistance - Workers
Award Number: TA118901J0, TA118901L0 TA11121FX0, TA11121FZ0 916100A, 916400A, 91700A, 917400A	Award Period: 10/01/2001 - 09/30/2004 10/01/2000 - 09/30/2003 10/01/1999 - 09/30/2000
	Questioned Costs: \$0

U.S. Department of Veterans Affairs	CFDA: 64.115 Veterans Information and Assistance
Award Number: V101(223B)P-4227 V101(223B)P-4127	Award Period: 10/01/2001 - 09/30/2002 10/01/2000 - 09/30/2001
	Questioned Costs: \$0

U.S. Department of Education	CFDA: 84.002 Adult Education - State Grant Program
Award Number: V002A020022 V002A010022 V002A000022	Award Period: 07/30/2002 - 09/30/2003 07/01/2001 - 09/30/2002 07/01/2000 - 09/30/2001
	Questioned Costs: \$0

U.S. Department of Education	CFDA: 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
Award Number: H126A020030 H126A010030 H126A000030	Award Period: 10/01/2001 - 09/30/2003 10/01/2000 - 09/30/2002 10/01/1999 - 09/30/2001
	Questioned Costs: \$0

U.S. Department of Education	CFDA: 84.243 Tech-Prep Education
Award Number: V243A020022 V243A010022 V243A000022 V243A990093	Award Period: 07/01/2002 - 09/30/2003 07/01/2001 - 09/30/2002 10/13/2000 - 09/30/2001 07/01/1999 - 09/30/2000
	Questioned Costs: \$0

This finding is included in Section II of the schedule of findings and questioned costs (450303).

FINDING (450317)

17. Procurement Card Purchases

U.S. Department of Labor	CFDA: 17.207 Employment Service
Award Number: 205-02, 206-02 205-01, 206-01, 215-01 164-02 164-01 205-00, 215-00, 216-00 215-99 91678 X-6047-7-00-80-60	Award Period: 07/01/2002 - 06/30/2005 07/01/2001 - 06/05/2004 10/01/2001 - 09/30/2004 10/01/2000 - 09/30/2003 07/01/2000 - 06/03/2003 07/01/1999 - 06/30/2002 10/01/1997 - 09/30/1998 01/01/1997 - 06/30/2001
	Questioned Costs: \$7,836

This finding is included in Section II of the schedule of findings and questioned costs (450305).

FINDING (450318)**18. Cash Management**

U.S. Department of Labor	CFDA: 17.207 Employment Service
Award Number: 205-02, 206-02 205-01, 206-01, 215-01 164-02 164-01 205-00, 215-00, 216-00 215-99 91678 X-6047-7-00-80-60	Award Period: 07/01/2002 - 06/30/2005 07/01/2001 - 06/30/2004 10/01/2001 - 09/30/2004 10/01/2000 - 09/30/2003 07/01/2000 - 06/30/2003 07/01/1999 - 06/30/2002 10/01/1997 - 09/30/1998 01/01/1997 - 06/30/2001
	Questioned Costs: \$0

U.S. Department of Education	CFDA: 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
Award Number: H126A020030 H126A010030 H126A000030	Award Period: 10/01/2001 - 09/30/2003 10/01/2000 - 09/30/2002 10/01/1999 - 09/30/2001
	Questioned Costs: \$23,134

This finding is included in Section II of the schedule of findings and questioned costs (450306).

FINDING (450319)**19. Expenditures for Participant Services**

U.S. Department of Education	CFDA: 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
Award Number: H126A020030 H126A010030 H126A000030	Award Period: 10/01/2001 - 09/30/2003 10/01/2000 - 09/30/2002 10/01/1999 - 09/30/2001
	Questioned Costs: \$41,175

This finding is associated with Finding 6 of our performance audit of Michigan Rehabilitation Services, issued in July 2002. MDCD did not ensure that expenditures for participant services were proper and that such expenditures were

made in accordance with established policy. The exceptions noted in Finding 6 included \$41,175 in questioned costs related to allowable costs within the audit period October 1, 2000 through September 30, 2002. The report (45-240-01) is available upon request from our Web site at <http://www.state.mi.us/audgen/>. MDCD generally agreed with the recommendation and informed us that MRS had initiated corrective action.

The status of the findings related to federal awards that were reported in prior Single Audits is disclosed in the summary schedule of prior audit findings.

OTHER SCHEDULES

MICHIGAN DEPARTMENT OF CAREER DEVELOPMENT
Summary Schedule of Prior Audit Findings
As of September 30, 2002

PRIOR AUDIT FINDINGS RELATED TO THE FINANCIAL SCHEDULES

Audit Findings That Have Been Fully Corrected:

Audit Period: October 1, 1998 through September 30, 2000

Finding Number: 450101

Finding Title: Cash Receipting

Finding: The Michigan Department of Career Development's (MDCD's) internal control did not provide for checks to be restrictively endorsed immediately upon receipt.

Comments: We have complied. MD CD procedures have been changed such that all mail now comes through the MD CD mailroom and any checks are restrictively endorsed prior to being sent on to the Office of Financial Services where the cashier records them in the accounting system and deposits them at the bank.

PRIOR AUDIT FINDINGS RELATED TO FEDERAL AWARDS

Audit Findings That Have Been Fully Corrected:

Audit Period: October 1, 1998 through September 30, 2000

Finding Number: 450102

Finding Title: Federal Adult Basic Education and English as a Second Language (ABE/ESL) Program Participation

Finding: MD CD's internal control did not ensure that federal ABE/ESL Program subrecipients were allocated federal funds based on actual participation in accordance with the Program's approved State Plan.

Comments: We have complied. A U.S. Department of Education (USDOE) program determination letter acknowledged MDCD's change in methodology for allocating funds to subrecipients. While the USDOE waived the questioned costs, in the future MDCD will ensure that procedures for reallocations are implemented so that they are consistent with the federal laws and Michigan's State Plan for Adult Education and Literacy.

Audit Period: October 1, 1998 through September 30, 2000

Finding Number: 450103

Finding Title: Earmarking Requirements

Finding: MDCD's internal control did not ensure that federal grant money expended to meet Wagner-Peyser Act 7(b) earmarking requirements was properly accounted for and recorded in the accounting records of the Employment Service Program.

Comments: We have complied. The grant award year in question was under the control of the Unemployment Agency during the time period noted. The Unemployment Agency did not properly account for earmarking requirements. Once the grant came to MDCD, we set up proper account coding to track earmarking requirements on this and all subsequent Wagner-Peyser grant award years.

Audit Period: October 1, 1998 through September 30, 2000

Finding Number: 450106

Finding Title: Articulation Agreements

Finding: MDCD's internal control did not ensure that consortia applying for Tech-Prep Education Program grants had articulation agreements.

Comments: We have complied. MDCD has new procedures that require each Tech-Prep Education Program consortium to submit a sample articulation agreement with its application for funding. In addition, consortia are required to periodically submit a list of articulated programs.

Audit Findings That Have Been Partially Corrected:

Audit Period: October 1, 1998 through September 30, 2000
Finding Number: 450104
Finding Title: Federal Reporting

Finding: The MDCD Employment Service Agency's internal control did not ensure that required monthly and quarterly financial status reports were submitted to the federal award agency on a timely basis.

Comments: We have partially complied. The timing on these reports and our ability to obtain the data needed to prepare them is very tight. As a result, MDCD requested and received a Financial Reporting Variance from the U.S. Department of Labor in August 2001. The Office of Financial Services has adopted new procedures that ensure that reports will be submitted to the federal agencies on a timely basis. In those cases in which unusual circumstances delay the submission of quarterly financial status reports, we now send written extension requests to the appropriate federal grantor agency.

Audit Period: October 1, 1998 through September 30, 2000
Finding Number: 450105
Finding Title: Employee Payroll Certification

Finding: MDCD's internal control did not ensure that personnel-payroll cost distributions to certain federal programs were properly documented in accordance with federal requirements.

Comments: We have partially complied. The Employment Service Agency now has procedures that require all staff to complete semi-annual certifications (July 1, and January 1) as to each employee's payroll cost distribution, which links the certifications to the start of each program year (July 1). Division directors are e-mailed the most current form twice per year and requested to have the forms completed and signed by employees. Forms are then mailed into the Employment Service Agency Lansing office for review.

MICHIGAN DEPARTMENT OF CAREER DEVELOPMENT

Corrective Action Plan

As of August 13, 2003

FINDINGS RELATED TO THE FINANCIAL SCHEDULES

Finding Number: 450301

Finding Title: Timely Deposit of Cash Receipts

Management Views: We agree with the finding and have complied with the recommendation.

Corrective Action: We have changed procedures and educated staff to ensure that Employment Service Agency cash receipts are to be deposited on a timely basis to fall in line with how the Michigan Department of Career Development (MDCD) operates the majority of its cash receipts process.

Anticipated Completion Date: Complied March 2003

Responsible Individual: Shirley Callahan, Finance Director

Finding Number: 450302

Finding Title: Controls Over Cash Receipts

Management Views: We agree with the finding and have complied with the recommendations.

Corrective Action: We have changed procedures to comply with prescribed internal control and have changed other procedures to ensure separation of duties.

Anticipated Completion Date: Complied March 2003

Responsible Individual: Shirley Callahan, Finance Director

Finding Number: 450303

Finding Title: Separation of Duties in the Payroll Function

Management Views: We agree with the finding and have complied with the recommendation.

Corrective Action: We have changed procedures to ensure that there is proper separation of duties in the payroll function. We now require that a person releasing TKU* information be someone other than the person who audited or certified the data collection information.

Anticipated Completion Date: Complied April 2003

Responsible Individual: Dale Beachnau, Office of Human Resources, Director

Finding Number: 450304

Finding Title: Separation of Duties in the Procurement Card Function

Management Views: We agree with the finding and will comply with the recommendation.

Corrective Action: We will change internal procedures to have the procurement card administrator duties reside with the director of the Office of Contracts and Grants (OCG). The OCG manager will not give up his/her card; however, MDCD's chief accountant will review all purchases made with that procurement card. New

* See glossary at end of report for definition.

cards ordered by the administrator will be received and distributed by the OCG procurement technician.

Anticipated Completion Date: August 31, 2003

Responsible Individual: Mike Wurmlinger, OCG Director

Finding Number: 450305

Finding Title: Procurement Card Purchases

Management Views: We disagree with the finding and recommendation. The finding focuses on the allowability of charges for Internet services for Employment Service Agency employees. Staff working away from the office in areas not connected to the State government computer system needed access to their work e-mail. We believe the costs are allowable per the federal grant. Furthermore, per a Department of Management and Budget (DMB) procurement card policy, we believe that the use of the procurement card for these transactions was appropriate.

Corrective Action: We will request a ruling from the U.S. Department of Labor (USDOL) regarding the matter of the allowability of the costs. In the meantime, MDCCD is utilizing the card for these purchases, as we believe these are both allowable grant expenditures as well as authorized uses of the card.

Anticipated Completion Date: Not applicable

Responsible Individual: Not applicable

Finding Number: 450306

Finding Title: Cash Management

Management Views: We agree with the finding and have complied with the recommendation. We believe that MDCD does an excellent job of drawing over \$350 million each fiscal year from over 75 federal awards that are active at any point in time. We do agree there is always room for improvement.

Corrective Action: We have modified procedures to ensure that draws are made on a more timely basis.

Anticipated Completion Date: Complied May 2003

Responsible Individual: Shirley Callahan, Finance Director

FINDINGS RELATED TO FEDERAL AWARDS

Finding Number: 450307
Finding Title: Subrecipient Monitoring

Management Views: We agree with the finding and will comply with the recommendation.

Corrective Action: We will develop comprehensive subrecipient monitoring processes and procedures for all the areas within MDCD where this deficiency was noted.

Anticipated Completion Date: September 30, 2004

Responsible Individuals: Vicki Enright, Office of Workforce Development
Diane Duthie, Adult Education
Patty Cantu, Office of Career and Technical Preparation
Lori Shader-Patterson, Michigan Rehabilitation Services (MRS)

Finding Number: 450308
Finding Title: Verification of Student Financial Assistance
Application Information

Management Views: We agree with the finding and have complied with the recommendation.

Corrective Action: Work practices and procedures have been modified to prevent this situation from occurring in the future.

Anticipated Completion Date: Complied April 2003

Responsible Individuals: Lori Shader-Patterson, MRS
Dennis Hart, MRS/Michigan Career and Technical
Institute (MCTI)

Finding Number: 450309
Finding Title: Refunds and Postwithdrawal Disbursement of Federal
Pell Grant Program Funds

Management Views: We agree with the finding and have complied with the recommendation. This issue was identified by the U.S. Department of Education (USDOE) in a federal site-visit in fall 2002. Work practices were corrected at that time and MCTI revised its satisfactory academic progress policy in December 2002. The USDOE Office of Student Financial Aid Assistance Program approved the revision in a letter dated February 5, 2003.

Corrective Action: Work practices and procedures have been modified to eliminate this situation in the future.

Anticipated Completion Date: Complied December 2002

Responsible Individuals: Lori Shader-Patterson, MRS
Dennis Hart, MRS/MCTI

Finding Number: 450310
Finding Title: Supported Employment Services Eligibility
Determination

Management Views: We agree with the finding and have complied with the
recommendation.

Corrective Action: MRS realized that its internal procedures were
incompatible with the most recent changes in the
federal regulations. As a result, it changed procedures
in fall 2002.

Anticipated Completion Date: Complied October 2002

Responsible Individuals: Lori Shader-Patterson, MRS
Harold Wasner, MRS

Finding Number: 450311
Finding Title: Maintenance of Effort

Management Views: We agree with the finding and will comply with the
recommendation.

Corrective Action: We will change procedures to ensure that we verify
that Department of Corrections expenditures included
in the Adult Education Program maintenance of effort
calculation include only eligible expenditures. This will
not be possible until the next filing of this report in
spring 2004.

Anticipated Completion Date: April 30, 2004

Responsible Individual: Shirley Callahan, Finance Director

Finding Number: 450312

Finding Title: Personnel-Payroll Cost Distributions

Management Views: We agree with the finding and will comply with the recommendation.

Corrective Action: We will educate all program areas about the need for proper documentation of personnel-payroll cost distributions for employees charged 100% to federal programs. We will ensure that certifications are obtained semi-annually.

Anticipated Completion Date: July 30, 2003

Responsible Individuals: Brenda Ely, Employment Service Agency
Diane Duthie, Adult Education

Finding Number: 450313

Finding Title: Federal Financial Reporting

Management Views: We generally agree with the finding and will comply with the recommendation. We obtained approval from the USDOL to submit certain fiscal reports at different intervals than required. We believed it to be an open-ended approval, but, apparently, it was only good for one fiscal year.

Corrective Action: We will change our procedures to ensure that we obtain an annual variance for filing specific USDOL financial report at intervals different than prescribed by the federal regulations. Trade Adjustment Assistance -

Workers (TAA) financial report procedures have already been modified to ensure that data is available on a timelier basis in order to meet filing deadlines.

Anticipated Completion Date: December 31, 2003

Responsible Individuals: Shirley Callahan, Finance Director
Vicki Enright, Office of Workforce Development

Finding Number: 450314

Finding Title: Federal Performance Reporting

Management Views: We agree with the finding and will comply with the recommendation.

Corrective Action: We will change our procedures to ensure that, in the future, Labor Force Statistics program deliverables are submitted on a timely basis and are properly documented. TAA performance report procedures have already been modified to ensure that data is available on a timelier basis in order to meet filing deadlines.

Anticipated Completion Date: December 31, 2003

Responsible Individual: Brenda Ely, Employment Service Agency

Finding Number: 450315

Finding Title: Data and Program Change Controls

Management Views: We agree with the finding and will comply with the recommendation.

Corrective Action: We will work with our on-site Department of Information Technology liaison and the DMB

information technology internal auditors to address these concerns.

Anticipated Completion Date: December 31, 2003

Responsible Individual: Walt Czubak, Department of Information Technology

Finding Number: 450316

Finding Title: Separation of Duties in the Payroll Function

See Finding 450303 with the findings related to the financial schedules.

Finding Number: 450317

Finding Title: Procurement Card Purchases

See Finding 450305 with the findings related to the financial schedules.

Finding Number: 450318

Finding Title: Cash Management

See Finding 450306 with the findings related to the financial schedules.

Finding Number: 450319

Finding Title: Expenditures for Participant Services

Management Views: This finding was cited in the July 2002 performance audit of MRS. The following information reflects our response to that audit finding.

Corrective Action: MRS has implemented corrective action. Statewide vocational counselor training for all staff began in April 2002 and was completed in July 2002. The issues cited in the audit finding were discussed at length to

ensure compliance. Also, the ongoing training for new counselors will include emphasis of these matters.

Anticipated Completion Date: Complied August 2002

Responsible Individual: Lori Shader-Patterson, MRS

Glossary of Acronyms and Terms

AAMC	Additional Activities to Maintain Currency.
ABE/ESL	Adult Basic Education and English as a Second Language.
Adult Education	Adult Education - State Grant Program.
AWARE	Accessible Web-Based Activity and Reporting Environment System.
CAS	Cost Accounting System.
CES	Current Employment Statistics.
CFDA	<i>Catalog of Federal Domestic Assistance.</i>
CFR	<i>Code of Federal Regulations.</i>
CMIA	federal Cash Management Improvement Act.
Data Collection and Distribution System (DCDS)	The State's client/server system that records, allocates, and distributes payroll costs within the accounting system for the MAIN Human Resource System.
DMB	Department of Management and Budget.
ETS 563	TAA performance report.
executive order	An official pronouncement of the Governor provided for in Article V, Section 2 of the State Constitution.
financial audit	An audit that is designed to provide reasonable assurance about whether the financial schedules and/or financial statements of an audited entity are fairly presented in conformity with the disclosed basis of accounting.

GPA	grade point average.
internal control	A process, effected by management, designed to provide reasonable assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
IPE	individualized plan for employment.
LAUS	Local Area Unemployment Statistics.
LFS	Labor Force Statistics.
low-risk auditee	As provided for in OMB Circular A-133, an auditee that may qualify for reduced federal audit coverage if it receives an annual Single Audit and it meets other criteria related to prior audit results. In accordance with State statute, this Single Audit was conducted on a biennial basis; consequently, this auditee is not considered a low-risk auditee.
material misstatement	A misstatement in the financial schedules and/or financial statements that causes the schedules and/or statements to not present fairly the financial position or the results of operations or cash flows in conformity with the disclosed basis of accounting.
material noncompliance	Violations of laws and regulations that could have a direct and material effect on major federal programs or on financial schedule and/or financial statement amounts.
material weakness	A reportable condition related to the design or operation of internal control that does not reduce to a relatively low level the risk that either misstatements caused by error or fraud in amounts that would be material in relation to the financial schedules and/or financial statements or noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal

program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

MCTI	Michigan Career and Technical Institute.
MDCD	Michigan Department of Career Development.
Michigan Administrative Information Network (MAIN)	The State's fully integrated automated administrative management system that supports the accounting, payroll, purchasing, contracting, budgeting, personnel, and revenue management activities and requirements. MAIN consists of four major components: MAIN Enterprise Information System (EIS); MAIN Financial Administration and Control System (FACS); MAIN Human Resource System (HRS); and MAIN Management Information Database (MIDB).
MLS	Mass Layoff Statistics.
MOE	maintenance of effort.
MRS	Michigan Rehabilitation Services.
OCG	Office of Contracts and Grants.
OMB	U.S. Office of Management and Budget.
procurement card	A credit card issued to State employees for purchasing commodities and services in accordance with State purchasing policies.
qualified opinion	<p>An auditor's opinion in which the auditor:</p> <ol style="list-style-type: none">a. Identifies a scope limitation or one more instances of misstatements that impact the fair presentation of the financial schedules and/or financial statements presenting the basic financial information of the audited

agency in conformity with the disclosed basis of accounting or the financial schedules presenting supplemental financial information in relation to the basic financial schedules and/or financial statements. In issuing an "in relation to" opinion, the auditor has applied auditing procedures to the supplemental financial schedules to the extent necessary to form an opinion on the basic financial schedules and/or financial statements, but did not apply auditing procedures to the extent that would be necessary to express an opinion on the supplemental financial schedules taken by themselves; or

- b. Expresses reservations about the audited agency's compliance, in all material respects, with the cited requirements that are applicable to each major federal program. In issuing an "in relation to" opinion, the auditor has applied auditing procedures to the supplemental financial schedules to the extent necessary to form an opinion on the basic financial schedules and/or financial statements, but did not apply auditing procedures to the extent that would be necessary to express an opinion on the supplemental financial schedules taken by themselves.

questioned cost

A cost that is questioned by the auditor because of an audit finding: (1) which resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of federal funds, including funds used to match federal funds; (2) where the costs, at the time of the audit, are not supported by adequate documentation; or (3) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

reportable condition	A matter coming to the auditor's attention relating to a significant deficiency in the design or operation of internal control that, in the auditor's judgment, could adversely affect the entity's ability to (1) record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules and/or financial statements or (2) administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants.
SAP	satisfactory academic progress.
SES	Supported Employment Services for Individuals with Severe Disabilities.
Single Audit	A financial audit, performed in accordance with the Single Audit Act Amendments of 1996, that is designed to meet the needs of all federal grantor agencies and other financial report users. In addition to performing the audit in accordance with the requirements of auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller General of the United States, a Single Audit requires the assessment of compliance with requirements that could have a direct and material effect on a major federal program and the consideration of internal control over compliance in accordance with OMB Circular A-133.
SOMCAFR	<i>State of Michigan Comprehensive Annual Financial Report.</i>
subrecipient	A nonfederal entity that expends federal awards received from another nonfederal entity to carry out a federal program.
TAA	Trade Adjustment Assistance - Workers.
TAPR	Trade Act Participation Report.

Title IV	Federal Pell Grant Program.
TKU	timekeeping unit.
unqualified opinion	<p>An auditor's opinion in which the auditor states that:</p> <ul style="list-style-type: none"> a. The financial schedules and/or financial statements presenting the basic financial information of the audited agency are fairly presented in conformity with the disclosed basis of accounting; or b. The financial schedules and/or financial statements presenting supplemental financial information are fairly stated in relation to the basic financial schedules and/or financial statements. In issuing an "in relation to" opinion, the auditor has applied auditing procedures to the supplemental financial schedules to the extent necessary to form an opinion on the basic financial schedules and/or financial statements, but did not apply auditing procedures to the extent that would be necessary to express an opinion on the supplemental financial schedules taken by themselves; or c. The audited agency complied, in all material respects, with the cited requirements that are applicable to each major federal program.
USDOE	U.S. Department of Education.
USDOL	U.S. Department of Labor.
WIA	Workforce Investment Act.